APPLYING FOR A LOAN

A local governmental unit must submit an Intent to Apply (ITA) form and a Priority Evaluation and Ranking Form (PERF) to the SDWLP no later than December 31 prior to the year it would like to receive a loan. The PERF scores projects to rank them in priority order, considering factors such as acute and chronic public health risk, financial need, population, system capacity and other system improvements. If available funding is less than the total project funds requested, the SDWLP will fund projects according to the project priority scores.

If a local governmental unit submits an ITA and PERF by December 31, they are eligible to submit a SDWLP loan application prior to the following April 30 application deadline. Eligible applicants who qualify for a loan must close the loan in the 10 month period between July 1 and the following April 30.

LOAN PAYMENTS AND REPAYMENTS

On the loan closing day, the SDWLP will wire transfer the first loan disbursement to the recipient. Thereafter, the recipient may request loan disbursements at anytime, but the SDWLP only wires disbursements on the 2nd and 4th Wednesday of each month. SDWLP loan proceeds may be used to reimburse expenses already paid (subject to IRS regulations), or to pay current invoices.

Interest on the loan starts accruing from the date of each loan disbursement. Interest on the loan is payable each May 1st and November 1st starting with the first May 1st or November 1st following the loan closing. Principal payments are scheduled to begin the May 1st following the substantial completion date of the project. The final loan repayment schedule depends on the amount actually drawn for the project and the actual dates that the money is drawn.

GETTING THROUGH THE PROCESS

For a trouble-free loan process, the SDWLP recommends that an applicant...

- > contact their DNR project manager to discuss their financing needs;
- pass a reimbursement resolution early in the project period;
- > retain an experienced bond counsel;
- review the affordability of the project by determining the estimated annual water cost that will be paid by the typical household:
- submit a <u>complete</u> loan application package to DNR.

FOR MORE INFORMATION

Contact us at the phone number below or visit our website at:

http://www.dnr.state.wi.us/org/caer/cfa/EL/elindex.html

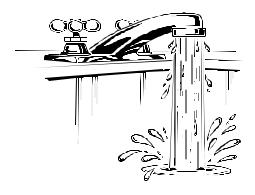
This brochure is intended to provide general summary information about the SDWLP.

Wisconsin DNR

Bureau of Community Financial Assistance Environmental Loans Section – CF/8 P O Box 7921 Madison WI 53707-7921 Phone (608) 266-7555 Fax (608) 267-0496

WISCONSIN SAFE DRINKING WATER LOAN PROGRAM

Low Cost Financing for Drinking Water Projects







PROGRAM DESCRIPTION

The Safe Drinking Water Loan Program (SDWLP), one of three subsidized loan programs included in the State of Wisconsin Environmental Improvement Fund (EIF), provides funding for drinking water projects. ELIGIBLE LOAN APPLICANTS

Any city, village, town, county, town sanitary district, public inland lake protection and rehabilitation district or municipal water district is eligible to receive a loan from the SDWLP. ELIGIBLE PROJECTS

Any project that...

- addresses Safe Drinking Water Act (SDWA) health standards that have been exceeded or prevents future violations of health standards and regulations contained in ch. NR 809, Wis. Adm. Code;
- helps maintain compliance or furthers the public health protection goals of the SDWA;
- consolidates existing community water systems that have technical, financial or managerial difficulties;
- purchases a portion of another public water system's capacity if it is the most costeffective solution:
- restructures a public water system that is in noncompliance with SDWA requirements or lacks the technical, managerial and financial capability to maintain the system if the loan will ensure that the system will return to and maintain compliance with SDWA requirements.

The loan can be used to finance a proposed project or for refinancing interim project debt. The scope of a project is described in the engineering report that must be approved by the DNR Bureau of Drinking Water/Groundwater.

INTEREST RATES

The EIF periodically sells revenue bonds to raise funds to make loans. The interest rate on these bonds is used to establish the EIF's "Market Rate" which in turn is used to establish the interest rate charged on EIF loans.

Loans for SDWLP projects carry interest rates of 33% and 55% of the Market Rate, depending on the financial status and population of the loan recipient. Loans to recipients whose Median Household Income (MHI) is 80% or less of the state's MHI and whose population is less than 10,000 are eligible for an interest rate of 33% of the Market Rate. Loans to recipients who do not meet both requirements are eligible for an interest rate of 55% of the Market Rate.

ELIGIBLE COSTS

In general, costs directly related to the planning, design, and construction of an eligible project are eligible costs. Construction costs must be part of the loan request in order for planning and design costs to be eligible for SDWLP funding.

SDWLP LOAN ADVANTAGES

A SDWLP loan...

- provides a subsidized fixed interest rate for up to a 20-year loan term;
- provides model bond documents to minimize legal expenses;
- requires less disclosure type information than is required for a publicly issued municipal bond;
- has less issuance costs than would be required for a publicly issued municipal bond, such as no Official Statement preparation or printing; no bond reserve required; no underwriter's discount; no bond rating; no bond insurance; no time & travel to a bond closing meeting.

LOAN REQUIREMENTS

A recipient must...

- have an engineering report and plans & specifications for the project approved by the DNR Bureau of Drinking Water/Groundwater;
- pledge revenues from the user charge system, property tax revenues, special assessments, or a combination of these sources for SDWLP loan payments;
- meet the loan underwriting standards of the Department of Administration (DOA);
- ➤ have an intermunicipal agreement when the project involves serving more than one local governmental unit;
- file the appropriate applications to increase water rates with the Public Service Commission of Wisconsin (PSC) and submit to DNR, prior to the loan closing, the corresponding PSC order authorizing the water rates and operating rules, if the public water system is regulated by PSC;
- develop and adopt water rates and operating rules to the satisfaction of DNR and DOA, prior to the loan closing, if the public water system is not regulated by PSC:
- along with its contractors, comply with small business in rural areas, minority- and women-owned business utilization requirements;
- have legal title to the land necessary for the project;
- > adopt a resolution awarding the construction contract.